

ROYALTY AGREEMENT

Parties: Utah State Land Board - "State."

Dix R. Turnbow - 50%, N. G. Morgan, Sr. - 25%, and Virgil V. Peterson - 25%, "Lessees."

Date: September 1, 1962

WHEREAS, Lessees wish to extract and recover salts and salt products, or products manufactured from salts, excluding production of Magnesium Chloride and its derivatives, from Great Salt Lake, and is entering into a lease of even date for such purpose.

1. As used herein the word "salts" means sodium chloride and all other salts, salt products, or products manufactured from salts, except Magnesium Chloride and derivatives, extracted from Great Salt Lake, and it means and includes other substances extracted from said waters, sodium chloride produced or derived from other sources.

The word "dry" used in conjunction with the word "salts" means actual weight of salt calculated to a moisture-free basis. Methods of sampling, testing and calculating moisture-free weight shall conform to methods prescribed by Ass'n of Official Agricultural Chemists and approved by State. "Ton" means 2000 lbs avoirdupois.

"Shipped by Lessees" means "shipped, used or consumed in a manufacturing process, or sold or disposed of by Lessees."

2. During term of agreement Lessees have continuing right to appropriate, remove and divert water of and from Great Salt Lake for purpose of extracting salts; provided agreement shall not be construed to relieve Lessees from full compliance with Title 73, Utah Code Annotated, 1953, relative to diversion of waters of State of Utah, where such is applicable.

3. Lessees shall pay royalty to State when and as herein provided. Royalty on gross value at point of shipment of any and all extracted products sold or used, except KCl which shall be not less than 3%, shall be: 1.5% for first 5 years; 2.0% for next 5 years; and then increase at a rate of 0.2 of 1% per year until it reaches maximum of 5%. In any event, royalty shall be not less than 30 cents/ton for KCl, 10 cents/ton for  $\text{Na}_2\text{SO}_4$ , 10 cents/ton for sodium chloride, 40 cents/ton for chlorine.

4. Within 60 days after close of each calendar quarter, Lessees to file with State a certificate specifying number of tons of dry salts shipped during such quarters, and pay State appropriate royalty.

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5. State or its agents have right at reasonable times to inspect books and records of Lessees as they pertain to number of tons shipped and computations relating to moisture content.

6. Lessees have continuing right to construct and maintain ditches, flumes, etc. where they deem essential for transporting waters of Lake to evaporating ponds. After installation of any ditches, flumes, etc. Lessees to file with State a plat or map showing exact location, size and dimensions. Any residue brines to be returned to the Lake.

7. Terms of agreement 15 years from September 1, 1962, ending August 31, 1978 and thereafter so long as salts are removed from premises and/or from Lake brines, and State receives a minimum royalty of not less than \$10,000 per year, unless sooner terminated as in this paragraph. This agreement may be terminated by Lessees on the last day of any calendar year by written notice to State of intention at least 6 months prior to date specified in said notice. Coincidental with termination date, Lessees to cease extraction of salts from waters of the Lake unless and until it shall have once more entered into an agreement therefor with the State. In event Lessees fail to pay all monies due the State under terms of this agreement or violate any other term or condition, and within 60 days after written notice of such by State to Lessees, Lessees fail to make payment or correct default, then State may terminate agreement by written notice to Lessees not less than 30 days prior to date specified in notice. Coincidental with termination Lessees shall cease extraction of salt from waters of the Lake unless a until it has once more entered into an agreement with State and has cured any and all defaults.

8. In event any other person or company enters into an agreement with State requiring them to pay monies to State for extraction of salts from Lake in amounts which, when computed on dry basis shipped, is less than the royalty stated in item No. 3, then from the 1st day of the next calendar quarter after date of such other agreement and while such other agreement remains in effect, this agreement shall be deemed to be automatically amended so that Lessees pay an equivalent amount. In event State enters into an agreement with a third party providing for a royalty less than above for crude salts shipped outside the State, then this agreement is automatically amended so Lessees pay a like amount.

9. Any notice to be given by State to Lessees shall be deemed to have been served when served personally on any individual or when mailed, registered mail postage prepaid to Lessees at principal office of Lessees.

Any notice to be given by Lessees by State shall be deemed to have been served when served personally on the Director of Utah State Land Board, or successor board, commission or agency of State, or when mailed registered mail postage prepaid



addressed to Director, Utah State Land Board, or successor board, etc.

10. Neither party is liable to the other for loss or damage nor is either party considered in default if performance is delayed or prevented due to acts of God, war, revolution, etc., or by any acts, laws, regulations, etc. of U.S. Government, fires, explosions, cyclones, floods, strikes, embargoes, failure of transportation or sources of supply, etc.

11. Lessees' benefits and its liabilities binding on its successors and assigns. State's benefits and its liabilities binding on all boards, commissions and agencies of the State, including Utah State Land Board and all successor boards, etc.

12. State reserves a lien on all unshipped salts for royalties due hereunder and for such royalties as may be hereafter due from any unshipped salts.

13. Lessees understand that there is a previous lease for extraction of Magnesium Chloride and derivatives with Bonneville-on-the-Hill Company and Lessees agree to hold State harmless against any claims of Bonneville-on-the-Hill pursuant to their lease.

Utah State Land Board

Max. G. Gardner, Director

Dix R. Turnbow

N. G. Morgan, Sr.

Virgil V. Peterson